



# Quarterly Presentation – Q3

August 26, 2024

A photograph of a water tower with the 'El Paso' logo in red script on its white upper section. The tower is partially obscured by green agave plants in the foreground. The background is a clear blue sky.

# Pressures Facing the Utility

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- Serving a Growing City
  - Securing water resources
  - Obligation to provide service
  - Growth triggers plant expansion
- Increasing Regulatory Pressures
  - Regulatory Cost Drivers
  - Back-up Power Investments
  - Lead and Copper Rule & PFAS
  - Wastewater Effluent Quality
- Largest CIP in EPWater History
  - Major water, wastewater and stormwater projects
  - Higher costs for energy, materials and labor
- All pressures impact our ratepayers
  - Pursuing grant funding to ease cost burden
  - Land sale bring revenue to EPWater and City
  - Seeking legislative solutions
  - Helping struggling customers
  - Rate review is underway



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# Serving a Growing City

# Securing water resources

Growth spurs the need to secure additional water resources to meet demand and ensure sustainability for decades to come

Project	Cost
KBH Expansion	<b>\$103M</b>
Aquifer Replenishment Construction	<b>\$ 44M</b>
AWPF Construction ( <i>upcoming</i> )	<b>\$313M</b>



Advanced Water Purification Facility

# Unanticipated development poses concern

It is EPWater's mission to support a vibrant economy in a growing city through excellent water and wastewater service

Fast-growing areas of East and Northeast El Paso require infrastructure investment.

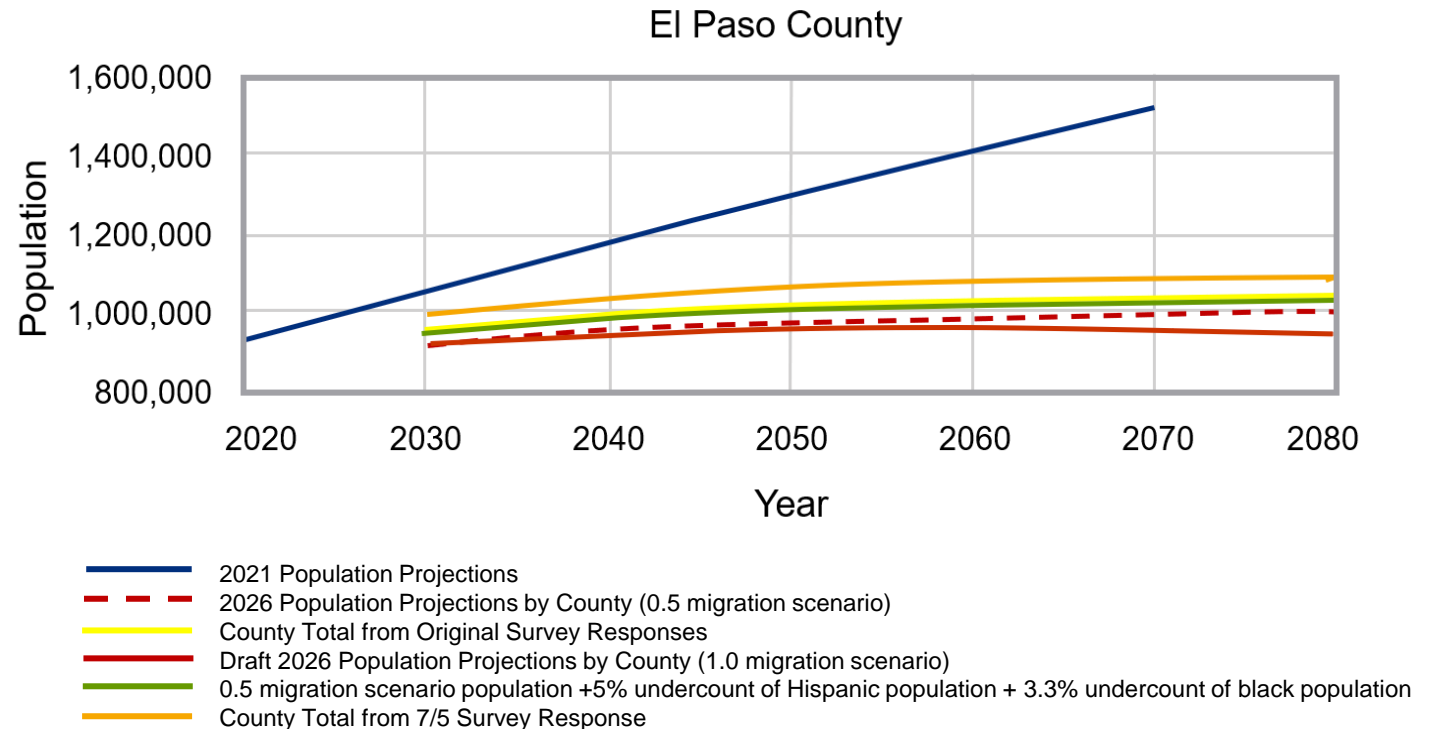
- Investments in the Northeast means growth is more easily accommodated.

Expansion at Bustamante Plant will serve **planned** growth

- Unplanned growth will not be able to be served by Bustamante Plant

No CIP funds for projects to serve development in unplanned areas, including

- 1500-acre Fort Bliss land sale
- 1200-acre General Land Office sale



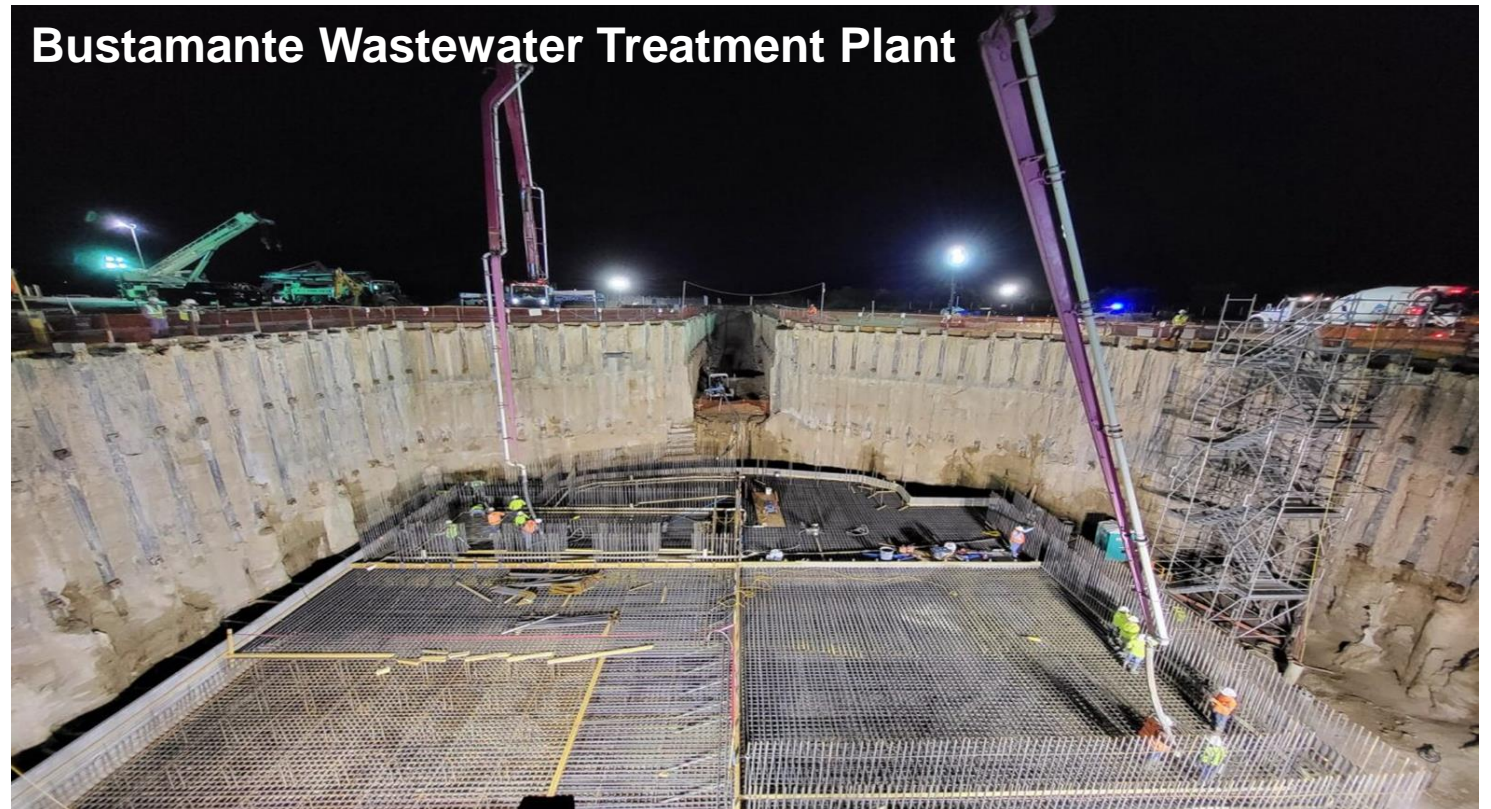
# Growth triggers plant expansion

## Wastewater Expansion Triggers

- TCEQ regulations mandate wastewater treatment plant expansions upon reaching 70 percent capacity.
- Development growth driving expansion needs at treatment plants

### Expansion Costs

Bustamante WWTP	<b>\$700M</b>
Hervey WWTP	<b>TBD</b>





# Increasing Regulatory Pressures

# Regulations are large cost-drivers

El Paso Water works diligently to comply with all federal and state regulatory requirements as they are a necessary component of operating a safe drinking water system.

These regulations also can compel large expenditures by the utility as we work to meet the requirements.

Meeting a host of new regulations is adding to growing costs incurred by the utility and its ratepayers.



Cost Examples			
Arsenic Rule	\$105,261,835	LCRR	\$400,000
DBP2 Rule	\$7,661,898		
GW Rule	\$80,000/ year	LCRI <i>(estimated)</i>	\$1,000,000/year



# State requirements for emergency back-up power

In 2021, the Texas Legislature passed SB3 in response to deadly Winter Storm Uri.

TCEQ now mandates emergency response plans and infrastructure additions/enhancements to increase capability to provide continuous services during emergencies.

Continuous service during emergencies required extensive unplanned investments in back-up power generation and hardening of water infrastructure.



## Cost to EPWater

Over **\$100 million** in total

- **\$20M** completed to date
- **\$86M** additional by FY 2026/27

# PFAS regulations are expected

EPWater and approximately 6,000 other water utilities are monitoring for PFAS and other unregulated compounds in accordance with the EPA's fifth Unregulated Contaminant Monitoring Rule (UCMR5)

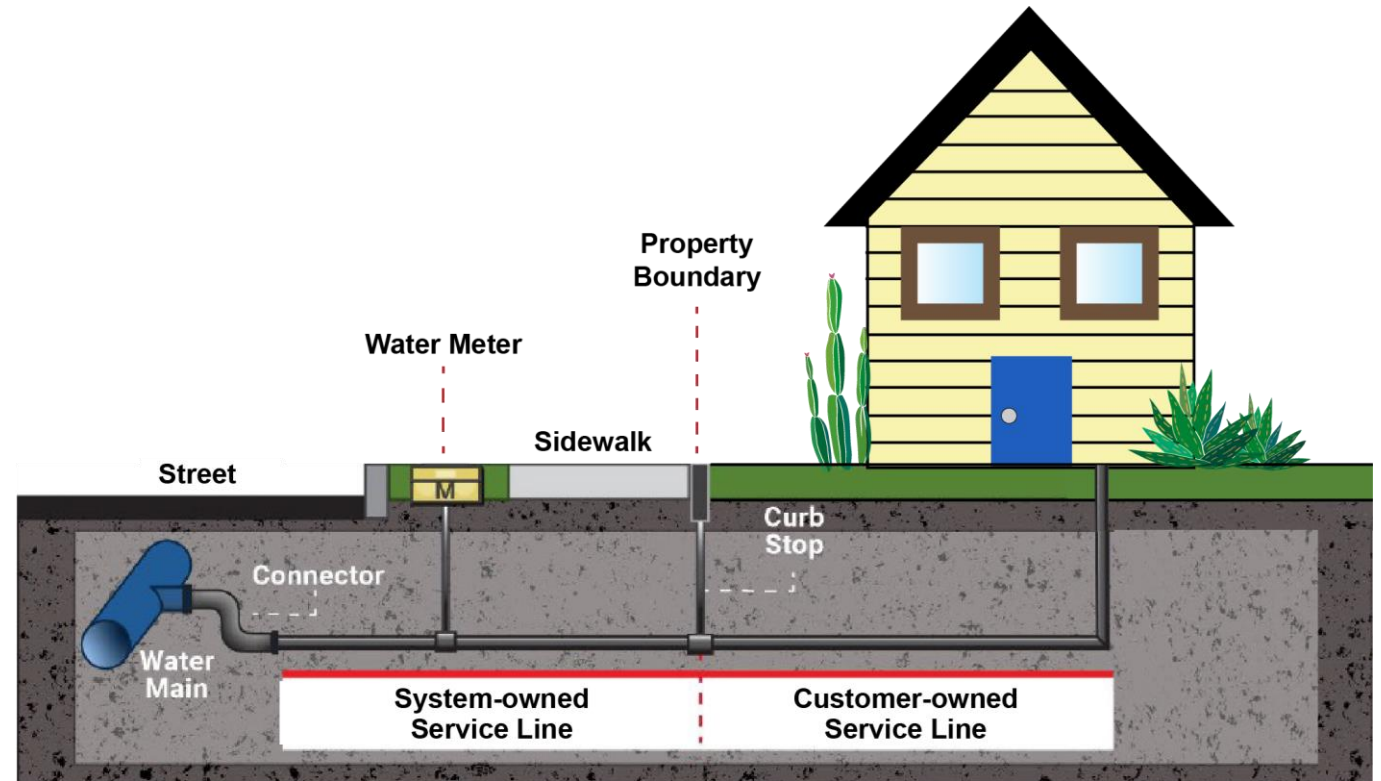
Significant testing is underway in El Paso that has yielded very few detections above anticipated regulatory limits.

Uncertainty remains around inclusion of wastewater, biosolids and CERCLA liability.



# Lead and Copper Rule

- All public water systems must comply with updated federal regulations related to lead starting in October 2024.
- All utilities must complete an inventory for every service connection and document the existing pipe material for both utility and customer owned portions of the service line
- EPWater has completed inventory of most of the utility portion of the service lines. This will be published on the website in October 2024. Work now begins to inspect customer-owned portions of the line.
- If lead lines are found, replacements will be required.



# Wastewater effluent quality adding to costs

## Drivers for wastewater treatment Increase

- Growth in population naturally leads to increase in effluent to be treated by wastewater plants.
- As water conservation improves, effluent becomes more concentrated
- State regulations require stronger treatment

### Stronger treatment requires:

- Increase costs for energy consumption
- Increase costs for chemical supplies

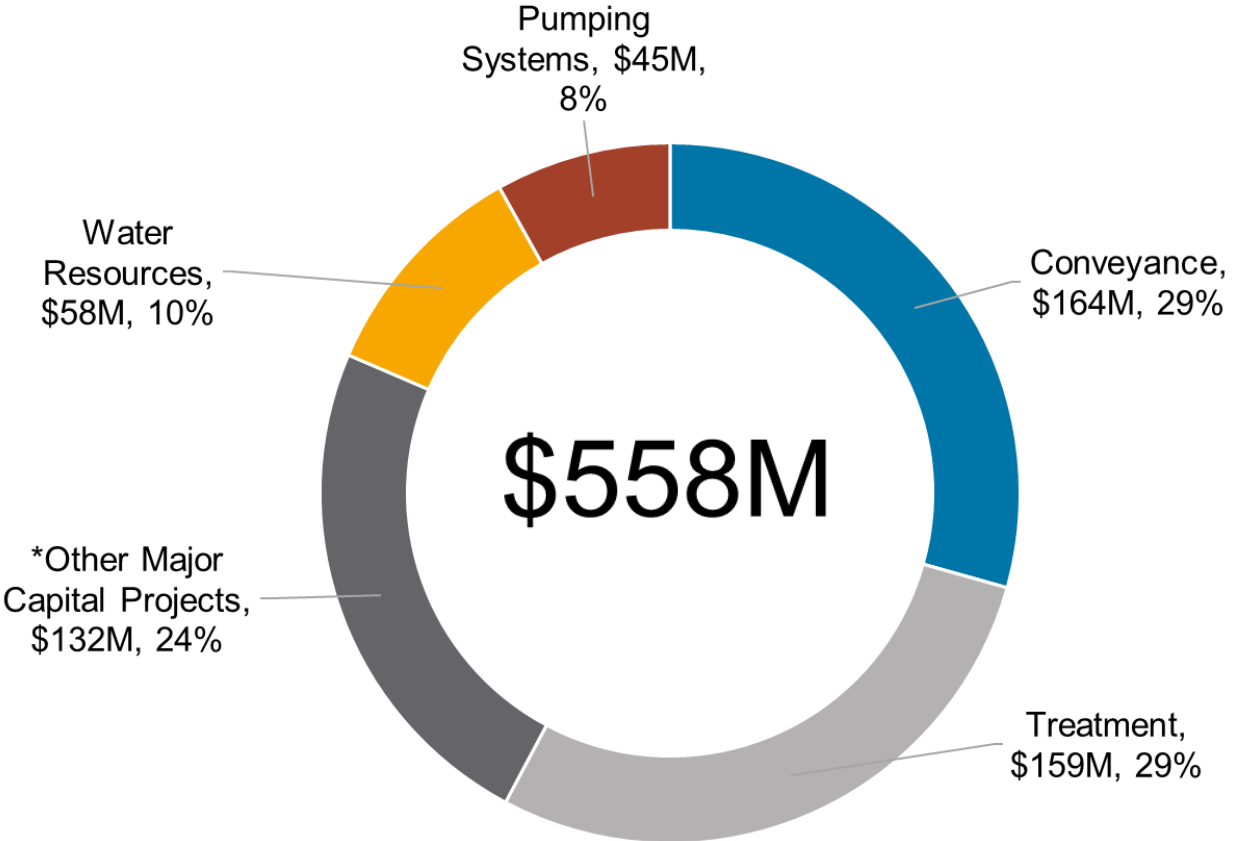




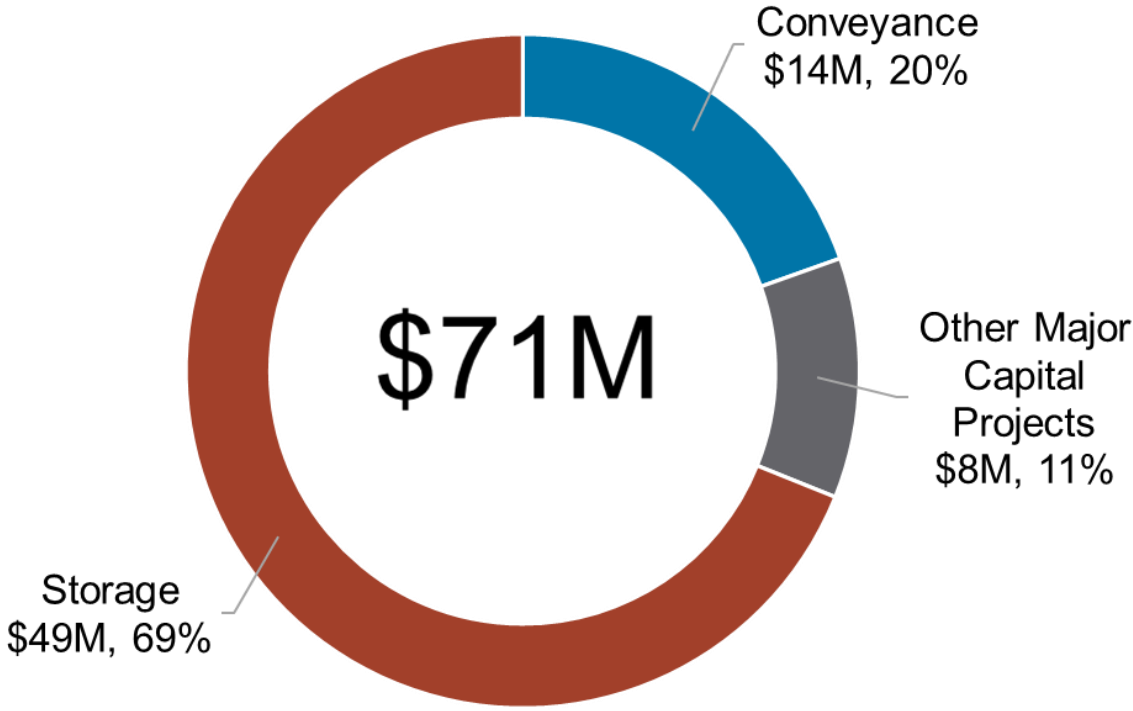
# Largest CIP in EPWater History

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## Water and Wastewater



## Stormwater



# Examples of major CIP projects

## Wastewater Treatment Plants Improvements

Bustamante

Haskell

Fred Hervey

## New Water Treatment Plant

Advanced Water Purification Plant

Canal Plant Rehab Improvements

## Stormwater - City Wide

Arroyo 1

Hickerson Basin

SAC 1 Basin Design

# Costs higher for materials, supplies and labor

El Paso Water is currently working through the largest Capital Improvement Plan in the utility's history.

All EPWater utilities – water, wastewater and stormwater – are undertaking more construction projects at higher costs.

## More Cost Factors Impacting CIP

- *Inflationary increase in materials costs*
- *Contractor labor shortage means higher costs*

Materials	Increase
PVC Pipe 6 in. and 8 in.	92%
Valve Gates 4 in. – 12 in.	132%

Chemicals	Increase
Chlorine	28%
Liquid Oxygen	39%
Liquid Peroxide	11%
Liquid Ferrous Chloride	28%
Sodium Chlorite	81%



# Energy and supply costs rise sharply

EPWater has increased its CIP in recent years to

- Replace aging infrastructure
- Rehabilitate critical facilities
- Increase reliability and resiliency

With more facilities coming online and more being constructed, the utility faces higher energy costs

## Other Cost Factors Impacting CIP

- *Electricity cost increase largely due to construction of more facilities*
- *Real estate valuations are higher for land and ROW acquisitions*

### Increase over FY 2021- FY 2024

Gas	Increase	Amount
Cost/CCF	416%	\$568K

Fuel	Increase
Diesel	71%
Unleaded	65%



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Growth pressures  
+  
Regulatory pressures  
+  
CIP pressures

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Rate pressures

# Grant funding helps all ratepayers

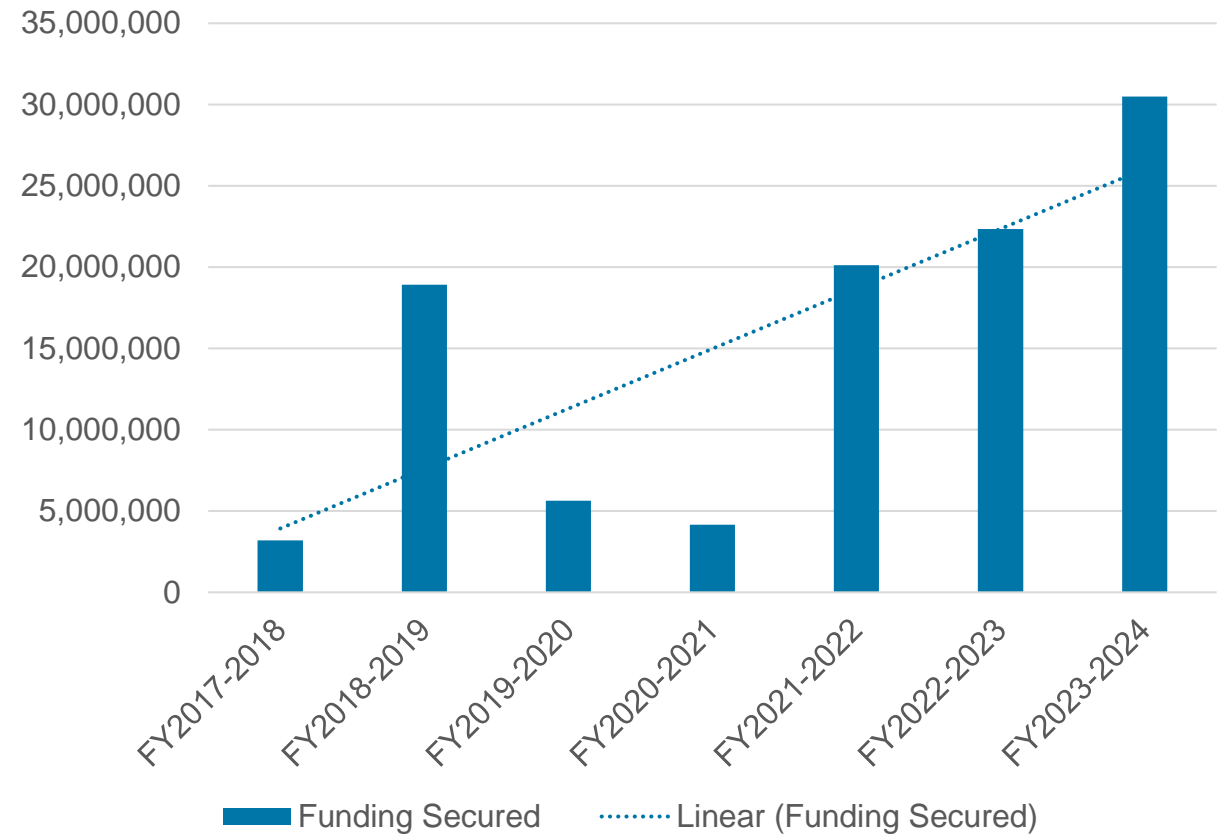
To ease the cost burden on ratepayers, EPWater government affairs staff continuously pursue external funding from several sources, including

- *U.S. Department of Defense*
- *U.S. Bureau of Reclamation*
- *U.S. Economic Development Administration*
- *Texas Office of the Governor*
- *Texas Water Development Board*

EPWater has successfully obtained more than **\$100M** over the past six years

- Over **\$30.4M** in FY 2023-24

Federal/State Funding Secured for EPWater Projects  
(FY17-FY23)



# Spotlight on Sustainability

EPWater recently notified of award for **\$4.8M** for new solar power project at Hervey plant

- Funded through US Bureau of Reclamation water and energy efficiency grant
- Award will cover **50% of total project cost**
- Project will be located on land adjacent to the Fred Hervey Wastewater Treatment Plant in Northeast El Paso.

- Plant will be **fully powered** by solar-generated electricity during daylight hours
- Facility will maintain its electric grid connection for **reliability**



# Land sales benefit ratepayers and taxpayers

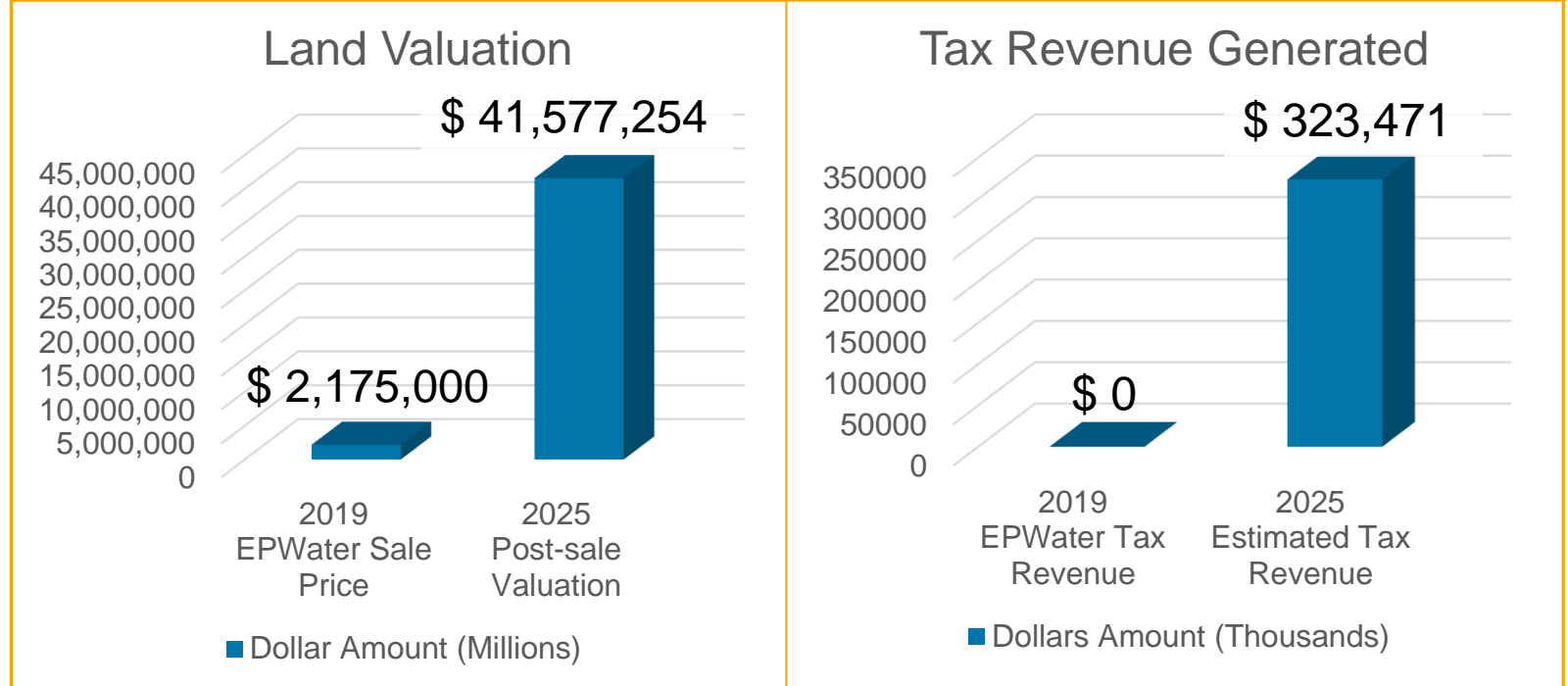
Sales of EPWater-owned land helps bring in revenue to reduce cost burden on ratepayers

- Land sales have long provided revenue to supplement the costs of important infrastructure projects

City receives additional revenue from sales of EPWater-owned land

- City receives **5%** of land sale revenues
  - **\$644,518 over past five years**
- Land owned by EPWater and sold is then **added to the tax rolls**

## 2019 Sale of 43.4 acres



# Seeking legislative solutions

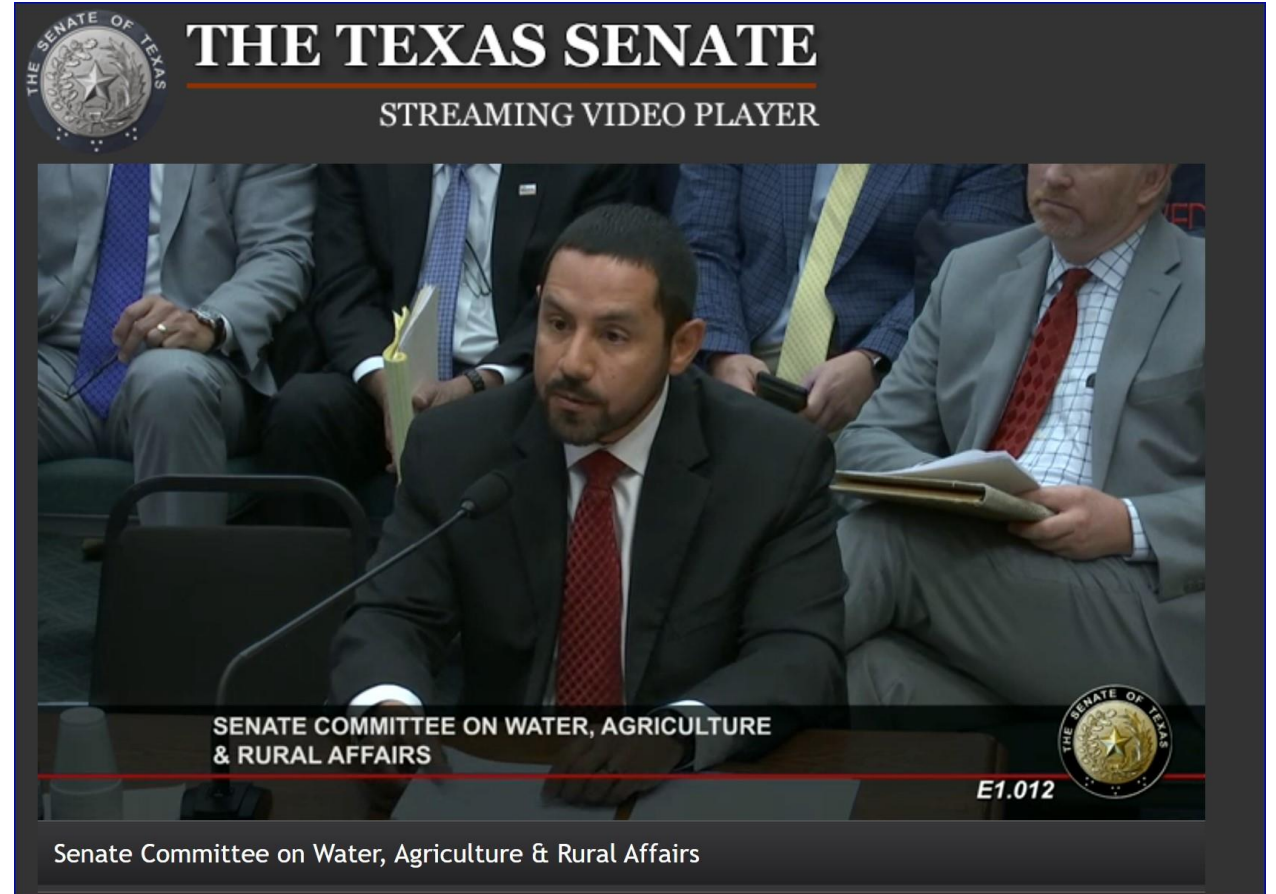
EPWater staff has developed a legislative agenda that includes priorities to pursue affordability at the state and federal levels

## Texas Legislature

- Seeking legislative authority to implement a customer affordability program
  - Allows customers in need to apply for assistance

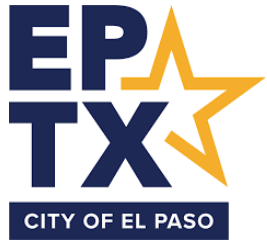
## U.S. Congress

- Bipartisan support nationally for a similar permanent affordability program
  - *May not be likely in election year*



**May 15, 2024** - EPWater Vice President Gilbert Trejo testifying before the Senate Committee on Water, Agriculture and Rural Affairs

# Working to help struggling customers



## AguaCares

Assistance program offers aid to customers unable to afford their monthly water bill.

- Made possible by \$50K allocation from the City of El Paso
- EPWater seeks increased funding
  - Current monthly funding allocation runs out by 10<sup>th</sup> of the month

## AguaRepairs

Partnership with Rebuilding Together to help El Pasoans in need with assistance in leak repairs.

- Assists customers repair leaks to save money on their bills and stop water waste.

# Rate review underway

EPWater is working on a rate study that involves:

- Financial planning and modeling
- Cost of service analysis
- Review of rate structure
- Opportunity for public input through:
  - *focus groups*
  - *survey*
  - *community meetings*

## Rate Structure



A rate structure concerns **how** customers are charged for services.

## Rate



The rate is **what** amount of money is charged.





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Thank You